

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1988, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Village of Akron	County Tuscola
Audit Date March 31, 2004	Opinion Date July 7, 2004	Date Accountant Report Submitted to State: September 21, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.

2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1988, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name)
Nietzke & Faupel, P.C.

Street Address
41 E. Main Street

City
Sebewaing

State
MI

ZIP
48759

Accountant Signature

Ed Lukie, CPA

**VILLAGE OF AKRON
AKRON, MICHIGAN**

**FINANCIAL REPORT
MARCH 31, 2004**

VILLAGE OF AKRON, MICHIGAN

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REPORT OF INDEPENDENT AUDITORS

To The Honorable Village Council
Village of Akron
Akron, Michigan

We have audited the accompanying general purpose financial statements of the Village of Akron, Michigan as of March 31, 2004, and for the year then ended. These general purpose financial statements are the responsibility of the Village of Akron, Michigan management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Village has not maintained a record of its general fixed assets and accordingly, a statement of general fixed assets, required by generally accepted accounting principles, is not included in the general purpose financial statements.

In our opinion, except for the effects of certain practices relating to accounting for capital expenditures as described in the preceding paragraph, which results in an incomplete presentation, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Village of Akron, Michigan at March 31, 2004, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining, individual fund, and individual account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Village of Akron, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Nietzke & Faupel, PC
NIETZKE & FAUPEL, P.C.
Sebewaing, Michigan

July 7, 2004

GENERAL PURPOSE FINANCIAL STATEMENTS

VILLAGE OF AKRON, MICHIGAN

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
MARCH 31, 2004

	GOVERNMENTAL FUND TYPES			PROPRIETARY FUND TYPES		ACCOUNT GROUP	TOTALS (MEMORANDUM ONLY)	
	GENERAL	SPECIAL	ENTERPRISE	INTERNAL	LONG-TERM DEBT		2004	MARCH 31, 2003
		REVENUE		SERVICE				
ASSETS:								
Cash	\$ 109,489	\$ 352,305	\$ 205,668	\$ 35,658		\$ 703,120	\$ 601,359	
Taxes receivable		2,377				2,377	2,199	
Accounts receivable	13,641	14,786	18,973			47,400	58,462	
Less: Allowance for doubtful accounts		(5,422)				(5,422)	(14,401)	
Fixed assets			2,313,576	87,315		2,400,891	2,313,893	
Less: Accumulated depreciation			(1,053,282)	(60,397)		(1,113,679)	(1,059,318)	
Special assessments receivable								284
Restricted assets								
Cash:								
Capital improvements			61,841			61,841	95,646	
Amount to be provided for payment of general long-term debt								
TOTAL ASSETS	\$ 123,130	\$ 364,046	\$ 1,546,776	\$ 62,576	\$ 48,478	\$ 2,145,006	\$ 2,060,781	

VILLAGE OF AKRON, MICHIGAN

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
MARCH 31, 2004

	GOVERNMENTAL FUND TYPES			PROPRIETARY FUND TYPES			ACCOUNT GROUP	TOTALS (MEMORANDUM ONLY)	
	GENERAL	SPECIAL REVENUE	ENTERPRISE	INTERNAL SERVICE	GENERAL	LONG-TERM DEBT		2004	MARCH 31, 2003
LIABILITIES AND FUND EQUITY									
LIABILITIES:									
Accounts payable	\$ 4,499	\$ 2,827	\$ 6,693	\$ 345		\$ 1,580	\$ 14,364	\$ 17,014	
Compensated Absences			75,000				1,580	1,514	
Note payable-Water well							75,000		
Note payable - Fire apparatus						46,898	46,898	61,143	
TOTAL LIABILITIES	<u>4,499</u>	<u>2,827</u>	<u>81,693</u>	<u>345</u>		<u>48,478</u>	<u>137,842</u>	<u>79,671</u>	
FUND EQUITY:									
Contributed capital			920,051				920,051	953,000	
Fund balance:									
Undesignated	118,631	361,219					479,850	422,289	
Retained earnings:									
Reserved for capital improvements			61,841				61,841	95,646	
Unreserved			483,191	62,231			545,422	510,175	
TOTAL FUND EQUITY	<u>118,631</u>	<u>361,219</u>	<u>1,465,083</u>	<u>62,231</u>			<u>2,007,164</u>	<u>1,981,110</u>	
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 123,130</u>	<u>\$ 364,046</u>	<u>\$ 1,546,776</u>	<u>\$ 62,576</u>		<u>\$ 48,478</u>	<u>\$ 2,145,006</u>	<u>\$ 2,060,781</u>	

The accompanying notes are an integral part of the financial statements.

VILLAGE OF AKRON, MICHIGAN

COMBINED STATEMENT OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE ALL GOVERNMENTAL FUND TYPES YEAR ENDED MARCH 31, 2004

	GOVERNMENTAL FUND TYPES		TOTALS (MEMORANDUM ONLY)	
	GENERAL	SPECIAL REVENUE	MARCH 31,	
			2004	2003
REVENUE:				
Taxes	\$ 62,931	\$ 2,377	\$ 65,308	\$ 62,150
Intergovernmental	53,352	45,391	98,743	132,204
Charges for services	25,031	114,519	139,550	122,699
Miscellaneous	9,945	12,277	22,222	21,091
TOTAL REVENUE	<u>151,259</u>	<u>174,564</u>	<u>325,823</u>	<u>338,144</u>
EXPENDITURES:				
Election	1,499		1,499	88
Administration	27,583		27,583	35,492
Streets		30,475	30,475	15,947
Buildings and grounds	12,132		12,132	8,725
Public safety	22,177	70,446	92,623	91,823
Public works	34,520		34,520	30,421
Park department	21,466		21,466	15,457
Sanitation	17,013		17,013	16,896
Capital outlay	3,927	10,355	14,282	94,683
Debt service		16,669	16,669	17,500
TOTAL EXPENDITURES	<u>140,317</u>	<u>127,945</u>	<u>268,262</u>	<u>327,032</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u>10,942</u>	<u>46,619</u>	<u>57,561</u>	<u>11,112</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in		7,737	7,737	7,319
Operating transfers out		(7,737)	(7,737)	(7,319)
TOTAL OTHER FINANCING SOURCES (USES)		<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUE AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>10,942</u>	<u>46,619</u>	<u>57,561</u>	<u>11,112</u>
FUND BALANCE - APRIL 1	107,689	314,600	422,289	411,177
FUND BALANCE - MARCH 31	<u>\$ 118,631</u>	<u>\$ 361,219</u>	<u>\$ 479,850</u>	<u>\$ 422,289</u>

VILLAGE OF AKRON, MICHIGAN

COMBINED STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL AND SPECIAL REVENUE FUND TYPES
YEAR ENDED MARCH 31, 2004

	GENERAL FUND			SPECIAL REVENUE FUNDS			TOTALS (MEMORANDUM ONLY)		
	BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
REVENUE:									
Taxes	\$ 74,316	\$ 62,931	\$ (11,385)	\$ 1,500	\$ 2,377	\$ 877	\$ 75,816	\$ 65,308	\$ (10,508)
Intergovernmental	40,000	53,352	13,352	39,200	45,391	6,191	79,200	98,743	19,543
Charges for services	18,850	25,031	6,181	82,172	114,519	32,347	101,022	139,550	38,528
Miscellaneous	7,800	9,945	2,145	5,200	12,277	7,077	13,000	22,222	9,222
TOTAL REVENUE	140,966	151,259	10,293	128,072	174,564	46,492	289,038	325,823	56,785
EXPENDITURES:									
Election	2,100	1,499	601				2,100	1,499	601
Administration	60,708	27,583	33,125				60,708	27,583	33,125
Streets				33,825	30,475	3,350	33,825	30,475	3,350
Buildings and grounds	14,306	12,132	2,174				14,306	12,132	2,174
Public safety	23,700	22,177	1,523				23,700	22,177	1,523
Public works	36,850	34,520	2,330	75,184	70,446	4,738	111,934	104,623	7,311
Park department	21,400	21,466	(66)				21,400	21,466	(66)
Sanitation	20,000	17,013	2,987				20,000	17,013	2,987
Capital outlay	5,790	3,927	1,863	6,231	10,355	(4,124)	12,021	14,282	(2,261)
Debt service				16,669	16,669		16,669	16,669	
TOTAL EXPENDITURES	184,854	140,317	44,537	131,909	127,945	3,964	316,763	288,262	48,501
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	(43,888)	10,942	54,830	(3,837)	46,619	50,456	(47,725)	57,561	105,286
OTHER FINANCING SOURCES (USES):									
Operating transfer in					7,737	987	6,750	7,737	987
Operating transfer out				(6,750)	(7,737)	(987)	(6,750)	(7,737)	(987)
TOTAL OTHER FINANCING SOURCES (USES)									
EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(43,888)	10,942	54,830	(3,837)	46,619	50,456	(47,725)	57,561	105,286
FUND BALANCE - APRIL 1	107,689	107,689		314,600	314,600		422,289	422,289	
FUND BALANCE - MARCH 31	\$ 63,801	\$ 118,631	\$ 54,830	\$ 310,763	\$ 361,219	\$ 50,456	\$ 374,564	\$ 479,850	\$ 105,286

VILLAGE OF AKRON, MICHIGAN

**COMBINED STATEMENT OF REVENUE, EXPENSES
AND CHANGE IN RETAINED EARNINGS
ALL PROPRIETARY FUND TYPES
YEAR ENDED MARCH 31, 2004**

			TOTALS	
			(MEMORANDUM ONLY)	
			MARCH 31,	
	ENTERPRISE	INTERNAL SERVICE	2004	2003
OPERATING REVENUE:				
Charges for services	\$ 55,850	\$ 29,821	\$ 85,671	\$ 81,174
Property taxes	11,578		11,578	11,030
Service charges	1,864		1,864	1,295
TOTAL OPERATING REVENUE	69,292	29,821	99,113	93,499
OPERATING EXPENSES:				
Salaries	10,325	4,832	15,157	15,163
Employee benefits	8,001	3,749	11,750	9,961
Office supplies	1,368		1,368	1,281
Operating supplies	633	2,103	2,736	4,722
General fund administrative fee	1,863	931	2,794	2,415
Contracted services	12,192		12,192	7,218
Professional fees	2,331	555	2,886	3,430
Insurance	870	1,245	2,115	4,213
Utilities	8,331		8,331	8,478
Repairs and maintenance	851	1,733	2,584	3,727
Gas and oil		1,486	1,486	1,378
Operations board expense	8,975		8,975	8,655
Equipment rental	7,404		7,404	6,488
Depreciation	46,278	8,083	54,361	50,936
Miscellaneous				50
TOTAL OPERATING EXPENSES	109,422	24,717	134,139	128,115
OPERATING INCOME (LOSS)	(40,130)	5,104	(35,026)	(34,616)
NONOPERATING REVENUE				
(EXPENSES):				
Sale of equipment				1,001
Interest on investments	3,177	340	3,517	3,090
Interest on special assessments				46
Interest earnings-Restricted				3,647
Interest expense on bonds				(782)
Paying agents fees				(59)
TOTAL NONOPERATING REVENUE	3,177	340	3,517	6,943

VILLAGE OF AKRON, MICHIGAN

**COMBINED STATEMENT OF REVENUE, EXPENSES
AND CHANGE IN RETAINED EARNINGS
ALL PROPRIETARY FUND TYPES
YEAR ENDED MARCH 31, 2004**

			TOTALS	
			(MEMORANDUM ONLY)	
			MARCH 31,	
	ENTERPRISE	INTERNAL SERVICE	2004	2003
NET INCOME (LOSS)	<u>(36,953)</u>	<u>5,444</u>	<u>(31,509)</u>	<u>(27,673)</u>
ADD: Depreciation on fixed assets acquired by federal and state grants externally restricted for capital acquisition and construction that reduces contributed capital	23,291		23,291	23,291
Depreciation on fixed assets acquired by special assessment funds that reduce contributed capital	9,660		9,660	9,660
(DECREASE) INCREASE IN RETAINED EARNINGS	<u>(4,002)</u>	<u>5,444</u>	<u>1,442</u>	<u>5,278</u>
RETAINED EARNINGS - APRIL 1	549,034	56,787	605,821	600,543
RETAINED EARNINGS - MARCH 31	<u>\$545,032</u>	<u>\$ 62,231</u>	<u>\$607,263</u>	<u>\$605,821</u>

VILLAGE OF AKRON, MICHIGAN

COMBINED STATEMENT OF CASH FLOWS ALL PROPRIETARY FUND TYPES YEAR ENDED MARCH 31, 2004

			TOTALS	
			(MEMORANDUM ONLY)	
			MARCH 31,	
	ENTERPRISE	INTERNAL SERVICE	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES:				
Operating income (loss)	\$ (40,130)	\$ 5,104	\$ (35,026)	\$ (34,616)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities-				
Depreciation	46,278	8,083	54,361	50,936
Change in assets and liabilities:				
(Increase) Decrease in accounts receivable	(22)	574	552	(2,826)
Decrease (Increase) in due from other municipalities				9,192
(Decrease) Increase in accounts payable	(5,647)	(130)	(5,777)	9,497
Total adjustments	40,609	8,527	49,136	66,799
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>479</u>	<u>13,631</u>	<u>14,110</u>	<u>32,183</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition of capital assets		(1,800)	(1,800)	(30,628)
Construction in progress	(85,198)		(85,198)	
Sale of equipment				(3,500)
Principal paid on sewer construction bonds				(28,020)
Interest paid on sewer construction bonds				(938)
Paying agent fees				(59)
Proceeds from special assessments	284		284	262
Proceeds from note payable	75,000		75,000	
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(9,914)</u>	<u>(1,800)</u>	<u>(11,714)</u>	<u>(62,883)</u>

(CONTINUED)

VILLAGE OF AKRON, MICHIGAN

COMBINED STATEMENT OF CASH FLOWS ALL PROPRIETARY FUND TYPES YEAR ENDED MARCH 31, 2004

			TOTALS	
			(MEMORANDUM ONLY)	
			MARCH 31,	
	ENTERPRISE	INTERNAL SERVICE	2004	2003
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest on investments	3,177	340	3,517	7,970
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>3,177</u>	<u>340</u>	<u>3,517</u>	<u>7,970</u>
NET INCREASE (DECREASE) IN CASH	<u>(6,258)</u>	<u>12,171</u>	<u>5,913</u>	<u>(22,730)</u>
CASH AND RESTRICTED CASH - APRIL 1	273,767	23,487	297,254	319,984
CASH AND RESTRICTED CASH - MARCH 31	<u>\$267,509</u>	<u>\$ 35,658</u>	<u>\$303,167</u>	<u>\$297,254</u>
RECONCILIATION OF CASH AND RESTRICTED CASH:				
Cash in bank	\$205,668	\$ 35,658	\$241,326	\$201,608
Restricted cash-Capital improvements	61,841		61,841	95,646
TOTAL CASH AND RESTRICTED CASH	<u>\$267,509</u>	<u>\$ 35,658</u>	<u>\$303,167</u>	<u>\$297,254</u>

VILLAGE OF AKRON, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Reporting Entity

In evaluating how to define the Village for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic—but not the only—criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Village is able to exercise oversight responsibilities. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the Village's reporting entity.

Excluded from the reporting entity:

Akron-Fairgrove School District - This potential component unit has a separate elected board and provides services to local residents of the Akron and Fairgrove, Michigan area. The Village does not have the ability to exercise influence or control over its daily operations, approve budgets or provide funding.

Board of Operations Akron-Fairgrove Wastewater - The Village of Akron and the Village of Fairgrove jointly appoint the board members of the Board of Operations. The Board of Operations is a separate reporting entity with a separate financial statement issued annually. Although the Board of Operations is not considered a component unit, it is considered a jointly governed organization by the Village of Akron and the Village of Fairgrove. The Board operates a raw sewage treatment facility (lagoon) for the Village of Akron and the Village of Fairgrove. The Board of Operations generates revenue by monthly user fees based on gallons pumped by the two Villages. The Village of Akron user fees amounted to \$8,975 for the fiscal year ended March 31, 2004. The Villages do not have the ability to exercise influence or control over its daily operations. The related party payable for the fiscal year ended March 31, 2004 is \$2,578 and is included in the Sewer Funds Accounts Payable.

Basis of Presentation:

The financial activities of the Village are recorded in separate funds and account groups, categorized and described as follows:

Governmental Funds:

General Fund - The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Major Street Fund and the Local Street Fund are special revenue funds used to account for revenue from state revenue sharing. The Local Street Improvement Fund is a special revenue fund used to account for revenue from bridge taxes. The Fire Fund is a special revenue fund used to account for revenue from charges for service for fire protection. The Police Fund is a special revenue fund used to account for revenue from charges for service for police protection.

VILLAGE OF AKRON, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Proprietary Funds:

Enterprise Funds - Enterprise Funds report operations that provide services which are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes. The Enterprise Funds of the Village of Akron include the Sewer Fund, which is used to account for the sewer operations of the Village, and the Water Fund, which provides water to Village residents.

Internal Service Fund (Equipment Rental Fund) - Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the Village, or to other governments, on a cost-reimbursement basis.

Fixed Assets - Fixed assets are stated at cost. Depreciation is provided on the straight-line basis over the estimated useful lives of the respective class of assets. A summary of Proprietary Fund Fixed Assets is included in Note 3. The estimated useful lives are as follows:

Sewer and water system	50 Years
Equipment	5 - 20 Years
Water storage tank	50 Years

Account Groups:

General Long-Term Debt Account Group - This account group presents the balance of general obligation long-term debt which is not recorded in proprietary funds.

"Total - (Memorandum Only)":

The "Memorandum Only" total column represents the aggregate total of the various columnar statements by fund types and account groups. This total column is not comparable to a consolidation and, therefore, does not present consolidated information.

Basis of Accounting:

Basis of accounting refers to when revenue and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenue are recognized when they become measurable and available as net current assets. Property taxes are recorded as revenue when levied to the extent that they are measurable and available in accordance with NCGA interpretation 3 (Revenue Recognition - Property Taxes). Licenses and permits, fines and miscellaneous revenue are recorded when received in cash because they are generally not measurable until actually received. Intergovernmental revenue and interest income are accrued, when their receipt occurs soon enough after the end of the accounting period so as to be both measurable and available.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which is recognized when due.

(CONTINUED)

VILLAGE OF AKRON, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Basis of Accounting: (Continued)

The proprietary fund types are accounted for using the accrual basis of accounting. Revenue is recognized when it is earned, and expenses are recognized when they are incurred.

Property Taxes:

Property taxes attach as an enforceable lien on property as of December 31. Village taxes are levied on the following July 1 and are payable without penalty through September 1. The Village bills and collects its own property taxes. Village property tax revenue is recognized as revenue in the fiscal year levied to the extent that they are measurable and available in accordance with NCGA interpretation 3 (Revenue Recognition - Property Taxes).

Budgets and Budgetary Accounting:

The Village Council follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with the Village charter, prior to March 1, the Village Clerk submits to the Village Council a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the two preceding years. The Village submits the budget in summary form. In addition, more detailed line item budgets are included for administrative control. The level of control for the detailed budgets is at the department head/function level.
2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to March 31 the budget is legally enacted through passage of a resolution.
4. The Village Clerk presents a monthly report to the Village Council explaining any variance from the approved budget.
5. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds.
6. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse at the end of each fiscal year.
8. The Village Council may authorize supplemental appropriations during the year. Budget amendments are approved at monthly council meetings. The Village Council did approve amendments to the adopted budget for the fiscal year ended March 31, 2004.

During the year ended March 31, 2004, the Village incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated as follows:

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<u>GENERAL FUND</u>			
Park department	\$21,400	\$21,466	\$ 66
<u>MAJOR STREET</u>			
Traffic services	450	1,042	592
Winter maintenance	1,700	3,072	1,372
Administrative fees	1,250	1,277	27
Operating transfer out	6,750	7,737	987
<u>LOCAL STREET</u>			
Traffic services	350	1,600	1,250
Winter maintenance	1,800	2,470	670
<u>FIRE FUND</u>	50,300	51,731	1,431
(CONTINUED)	-13-		

VILLAGE OF AKRON, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Compensated Absence:

Village of Akron employees are allowed to accumulate a maximum of sixty days of sick leave. In the event of death, termination of employment or retirement of an employee, sick leave accumulation is paid to the employee at one-half his current rate of pay. There is no accumulation of unused vacation days allowed. The compensated absences accrual for the year ended March 31, 2004 is \$1,581.

Cash and Cash Equivalents:

Cash and cash equivalents of the Village include cash on hand and all deposits with financial institutions, including all certificates of deposits.

NOTE 2 - CASH DEPOSITS:

The carrying amount of cash and deposits with financial institutions of the Village of Akron amounted to \$764,961 at March 31, 2004. Of the deposits, \$61,841 is restricted for capital improvements. The total bank balance as of the same date was \$766,755. Deposits with financial institutions are categorized as follows:

Amount insured by the FDIC	\$200,000
Amount insured by the NCUA	61,460
Uncollateralized	<u>505,295</u>
Total deposits with financial institutions	<u>\$766,755</u>

All deposits categorized as uncollateralized are the property of the Village of Akron.

The amount of uncollateralized deposits throughout the fiscal year did not significantly exceed the amount of uncollateralized deposits at March 31, 2004.

NOTE 3 - SUMMARY OF PROPRIETARY FUND FIXED ASSETS:

	<u>ENTERPRISE</u>	<u>INTERNAL SERVICE</u>	<u>TOTAL</u>
Land	\$ 83,034		\$ 83,034
Lagoon system	296,484		296,484
Collection system	1,551,504		1,551,504
Wells	132,492		132,492
Transmission lines	109,858		109,858
Equipment	55,006	\$87,315	142,321
Construction in progress	<u>85,198</u>		<u>85,198</u>
TOTALS	2,313,576	87,315	2,400,891
Less: Accumulated depreciation	<u>1,053,282</u>	<u>60,397</u>	<u>1,113,679</u>
Net fixed assets	<u>\$1,260,294</u>	<u>\$26,918</u>	<u>\$1,287,212</u>

The Village of Akron is in the process of drilling and testing a new water well. The project is expected to be completed in the next fiscal year. The cost of the project thus far has been recorded as construction in progress in the Water Fund and amounts to \$85,198. After the project is complete the total cost will be added to the water fund fixed assets and depreciated over its useful life.

(CONTINUED)

VILLAGE OF AKRON, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2004

NOTE 4 – LONG-TERM DEBT:

The following is a summary of long-term debt transactions of the Village for the year ended March 31, 2004:

	GENERAL LONG-TERM DEBT		TOTAL LONG-TERM DEBT
	<u>Sickleave</u>	<u>Fire Apparatus</u>	
Balance – April 1, 2003	\$ 1,514	\$ 61,143	\$ 62,657
Note payment		(14,245)	(14,245)
Adjustment for sickleave	66		66
Total	1,580	46,898	48,478
Less: current portion		(15,622)	(15,622)
Balance – March 31, 2004	\$ <u>1,580</u>	\$ <u>31,276</u>	\$ <u>32,856</u>

Long-term debt service requirements:

<u>YEARS ENDING</u>	<u>TOTAL</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
3/31/05	\$17,500	\$15,038	\$2,462
3/31/06	17,500	15,827	1,673
3/31/07	16,875	16,033	842
Remaining years	<u>1,580</u>	<u>1,580</u>	
	<u>\$53,455</u>	<u>\$48,478</u>	<u>\$4,977</u>

The Village of Akron, is drilling and testing a new water well. To help finance the project the Village obtained a loan from Chemical Bank and Trust Company. Following is a payment schedule and the terms of the note.

<u>YEARS ENDING</u>	<u>TOTAL</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
3/31/05	\$9,358	\$6,178	\$3,180
3/31/06	9,358	6,440	2,918
3/31/07	9,358	6,713	2,645
3/31/08	9,358	6,997	2,361
3/31/09	9,358	7,294	2,064
Remaining years	<u>46,786</u>	<u>41,378</u>	<u>5,408</u>
	<u>\$93,576</u>	<u>\$75,000</u>	<u>\$18,576</u>

Payment of the note is due in annual installments of \$9,358 including interest of 4.24% per annum. The first installment is due November 1, 2004. The note matures on November 1, 2013.

VILLAGE OF AKRON, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2004

NOTE 5 - CONTINGENT LIABILITY:

The Village has elected to be a reimbursing employer for purposes of unemployment insurance claims. The Village reimburses the State of Michigan for all benefits charged against it. Unemployment insurance claims are recognized as expense when incurred.

NOTE 6 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS:

The Village maintains two Enterprise Funds which provide water and sewer services. Segment information for the year ended March 31, 2004, is as follows:

	<u>SEWER FUND</u>	<u>WATER FUND</u>	<u>TOTAL</u>
Operating revenue	\$ 26,812	\$ 42,480	\$ 69,292
Tax revenues		11,578	11,578
Depreciation	38,064	8,214	46,278
Operating (loss) income	(41,697)	1,567	(40,130)
Net (loss) income	(40,077)	3,124	(36,953)
Net working capital	43,427	168,343	211,770
Total assets	1,191,372	355,404	1,546,776
Total Equity	1,188,439	276,644	1,465,083
Contributed Capital	920,051		920,051
Retained Earnings – Unreserved	206,547	276,644	483,191
Retained Earnings – Reserved	61,841		61,841

NOTE 7- CONTRIBUTED CAPITAL:

The following is a summary of changes made to contributed capital as of March 31, 2004:

Contributed capital at March 31, 2003	\$953,000
Less: Depreciation on fixed assets acquired by federal and state grants externally restricted for capital acquisitions and construction that reduces contributed capital	23,290
Less: Depreciation on fixed assets acquired by Special assessment funds that reduces contributed capital	9,659
Contributed capital at March 31, 2004	<u>\$920,051</u>

NOTE 8 - RESERVED RETAINED EARNINGS:

A portion of retained earnings is reserved in the enterprise funds for future capital improvements. The amount reserved at March 31, 2004 is \$61,841.

VILLAGE OF AKRON, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2004

NOTE 9 - RISK MANAGEMENT:

General Liability:

Village of Akron participates in the Michigan Municipal Liability and Property Pool, which is a public entity risk pool, for the coverage of significant losses due to its general liability. The participation in the pool constitutes transfer of the risk for significant losses to the pool with a coverage limit of \$786,908 for real and personal property losses and \$2 million for liability losses. Village of Akron is required to pay annual premiums to the Michigan Municipal Liability and Property Pool for the liability coverage. No supplemental premium assessment is required by the Michigan Municipal Liability and Property Pool. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Worker's Compensation:

Village of Akron participates in the Michigan Municipal Liability and Property Pool, which is a public entity risk pool for the coverage of losses related to worker's compensation claims. The participation in the pool constitutes transfer of the risk for significant losses to the pool with a coverage limit of \$500,000. No supplemental premium assessment is required by the Michigan Municipal Liability and Property Pool. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Employee Health Care:

Village of Akron purchased commercial insurance coverage for its employee and dependents.

SUPPLEMENTAL INFORMATION

VILLAGE OF AKRON, MICHIGAN

GENERAL FUND STATEMENT OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL YEAR ENDED MARCH 31, 2004

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUE:			
Taxes:			
Current property taxes	<u>74,316</u>	<u>62,931</u>	<u>(11,385)</u>
Intergovernmental:			
State revenue sharing	<u>40,000</u>	<u>53,352</u>	<u>13,352</u>
Charges for services:			
Garbage service	<u>18,500</u>	<u>24,487</u>	<u>5,987</u>
Penalties and interest	<u>350</u>	<u>544</u>	<u>194</u>
Total charges for services	<u>18,850</u>	<u>25,031</u>	<u>6,181</u>
Miscellaneous:			
Interest income	<u>3,000</u>	<u>1,082</u>	<u>(1,918)</u>
Miscellaneous	<u>4,800</u>	<u>8,863</u>	<u>4,063</u>
Total miscellaneous	<u>7,800</u>	<u>9,945</u>	<u>2,145</u>
TOTAL REVENUE	<u>140,966</u>	<u>151,259</u>	<u>10,293</u>
EXPENDITURES:			
Election:			
Election board salaries	<u>800</u>	<u>53</u>	<u>747</u>
Supplies	<u>1,300</u>	<u>1,446</u>	<u>(146)</u>
Total election	<u>2,100</u>	<u>1,499</u>	<u>601</u>
Administration:			
Salaries-Elected officials	<u>22,000</u>	<u>12,640</u>	<u>9,360</u>
Employee benefits	<u>13,528</u>	<u>967</u>	<u>12,559</u>
Printing and supplies	<u>6,900</u>	<u>1,639</u>	<u>5,261</u>
Accounting and audit fees	<u>2,600</u>	<u>1,664</u>	<u>936</u>
Contracted services	<u>2,000</u>	<u>1,863</u>	<u>137</u>
Insurance and bonds	<u>6,000</u>	<u>6,183</u>	<u>(183)</u>
Legal fees	<u>3,000</u>	<u>251</u>	<u>2,749</u>
Telephone	<u>600</u>	<u>515</u>	<u>85</u>
Publishing of legal notices	<u>2,132</u>	<u>967</u>	<u>1,165</u>
Miscellaneous	<u>1,000</u>	<u>740</u>	<u>260</u>
Membership dues	<u>750</u>	<u>154</u>	<u>596</u>
Conferences and workshops	<u>200</u>	<u>200</u>	<u>0</u>
Total administration	<u>60,708</u>	<u>27,583</u>	<u>33,125</u>

VILLAGE OF AKRON, MICHIGAN

GENERAL FUND STATEMENT OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL YEAR ENDED MARCH 31, 2004

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
EXPENDITURES: (CONTINUED)			
Buildings and grounds:			
Salaries	3,656	3,261	395
Employee benefits	1,250	2,482	(1,232)
Utilities	4,300	3,961	339
Repairs and maintenance	2,000	82	1,918
Miscellaneous	600	677	(77)
Insurance	1,500	682	818
Supplies	1,000	987	13
Total buildings and grounds	<u>14,306</u>	<u>12,132</u>	<u>2,174</u>
Public safety:			
Fire department	5,200	3,893	1,307
Police department	18,500	18,284	216
Total public safety	<u>23,700</u>	<u>22,177</u>	<u>1,523</u>
Public works department:			
Salaries	8,500	7,943	557
Employee benefits	2,000	6,046	(4,046)
Street lighting	13,000	11,797	1,203
Equipment rental	8,000	5,065	2,935
Christmas decorations	500	214	286
Contracted services	3,200	2,311	889
Tools and supplies	1,300	932	368
Miscellaneous	350	212	138
Total public works department	<u>36,850</u>	<u>34,520</u>	<u>2,330</u>
Park department:			
Salaries	5,300	4,689	611
Employee benefits	2,500	3,569	(1,069)
Utilities	1,400	1,535	(135)
Repairs and maintenance	500		500
Equipment rental	9,400	9,503	(103)
Insurance	400	125	275
Materials and supplies	1,900	2,045	(145)
Total park department	<u>21,400</u>	<u>21,466</u>	<u>(66)</u>

VILLAGE OF AKRON, MICHIGAN

**GENERAL FUND
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2004**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
EXPENDITURES: (CONTINUED)			
Sanitation:			
Contracted services-garbage	<u>20,000</u>	<u>17,013</u>	<u>2,987</u>
Capital outlay:			
Administration	540	533	7
Buildings and grounds	2,500	2,429	71
Public works	750		750
Park department	<u>2,000</u>	<u>965</u>	<u>1,035</u>
Total capital outlay	<u>5,790</u>	<u>3,927</u>	<u>1,863</u>
TOTAL EXPENDITURES	<u>184,854</u>	<u>140,317</u>	<u>44,537</u>
EXCESS OF REVENUE (UNDER)			
OVER EXPENDITURES	<u>(43,888)</u>	<u>10,942</u>	<u>54,830</u>
FUND BALANCE - APRIL 1	107,689	107,689	
FUND BALANCE - MARCH 31	<u>\$ 63,801</u>	<u>\$ 118,631</u>	<u>\$ 54,830</u>

VILLAGE OF AKRON, MICHIGAN

SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
MARCH 31, 2004

	MAJOR STREET	LOCAL STREET	LOCAL STREET IMPROVEMENT	FIRE	POLICE	TOTALS MARCH 31,
						2003
						2004
ASSETS:						
Cash	\$ 202,677	\$ 79,020	\$ 19,641	\$ 38,125	\$ 12,842	\$ 304,472
Accounts receivable	6,010	1,954		6,822		24,164
Less: Allowance for Doubtful Accounts				(5,422)	(5,422)	(14,401)
Taxes receivable			2,377			2,199
TOTAL ASSETS	\$ 208,687	\$ 80,974	\$ 22,018	\$ 39,525	\$ 12,842	\$ 316,434
LIABILITIES AND FUND EQUITY						
LIABILITIES:						
Accounts payable	\$ 30	\$ 13		\$ 393	\$ 2,391	\$ 1,834
TOTAL LIABILITIES	30	13		393	2,391	1,834
FUND EQUITY:						
Fund Balance	208,657	80,961	\$ 22,018	39,132	10,451	314,600
TOTAL LIABILITIES AND FUND EQUITY	\$ 208,687	\$ 80,974	\$ 22,018	\$ 39,525	\$ 12,842	\$ 316,434

VILLAGE OF AKRON, MICHIGAN

SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE
YEAR ENDED MARCH 31, 2004

	MAJOR STREET	LOCAL STREET	LOCAL STREET IMPROVEMENT	FIRE	POLICE	TOTALS MARCH 31,
						2004
REVENUE:						
Taxes	\$ 35,360	\$ 10,031	\$ 2,377			\$ 2,377
Intergovernmental				\$ 63,331	\$ 51,188	\$ 2,199
Charges for services				6,061	3,209	45,391
Miscellaneous	2,169	641	197			114,519
TOTAL REVENUE	37,529	10,672	2,574	69,392	54,397	12,277
						174,564
						188,314
EXPENDITURES:						
Streets	14,277	16,198				30,475
Public safety				26,497	43,949	70,446
Capital outlay				8,565	1,790	10,355
Debt service				16,669		16,669
TOTAL EXPENDITURES	14,277	16,198		51,731	45,739	127,945
	23,252	(5,526)	2,574	17,661	8,658	46,619
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES						17,492
OTHER FINANCING SOURCES (USES):						
Operating transfer in		7,737				7,737
Operating transfers out	(7,737)					(7,737)
TOTAL OTHER FINANCING SOURCES (USES)	(7,737)	7,737				-
EXCESS OF REVENUE AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES						
	15,515	2,211	2,574	17,661	8,658	46,619
FUND BALANCE - APRIL 1	193,142	78,750	19,444	21,471	1,793	314,600
FUND BALANCE - MARCH 31	\$ 208,657	\$ 80,961	\$ 22,018	\$ 39,132	\$ 10,451	\$ 361,219
						\$ 314,600

VILLAGE OF AKRON, MICHIGAN

MAJOR STREET FUND STATEMENT OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL YEAR ENDED MARCH 31, 2004

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUE:			
Intergovernmental:			
County - Road improvement	\$ 4,200	\$ 4,414	\$ 214
Gas and weight tax	27,000	30,946	3,946
Miscellaneous:			
Interest income	3,200	2,169	(1,031)
TOTAL REVENUE	<u>34,400</u>	<u>37,529</u>	<u>3,129</u>
EXPENDITURES:			
Construction	8,525	6,266	2,259
Routine maintenance	4,200	2,620	1,580
Traffic services	450	1,042	(592)
Winter maintenance	1,700	3,072	(1,372)
Administrative	1,250	1,277	(27)
TOTAL EXPENDITURES	<u>16,125</u>	<u>14,277</u>	<u>1,848</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u>18,275</u>	<u>23,252</u>	<u>4,977</u>
OTHER FINANCING (USES):			
Operating transfers out	(6,750)	(7,737)	(987)
EXCESS OF REVENUE OVER EXPENDITURES AND OTHER USES	<u>11,525</u>	<u>15,515</u>	<u>3,990</u>
FUND BALANCE - APRIL 1	193,142	193,142	
FUND BALANCE - MARCH 31	<u>\$ 204,667</u>	<u>\$ 208,657</u>	<u>\$ 3,990</u>

VILLAGE OF AKRON, MICHIGAN

LOCAL STREET FUND STATEMENT OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL YEAR ENDED MARCH 31, 2004

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUE:			
Intergovernmental:			
Gas and weight tax	\$ 8,000	\$ 10,031	\$ 2,031
Miscellaneous:			
Interest income	1,803	641	(1,162)
TOTAL REVENUE	<u>9,803</u>	<u>10,672</u>	<u>869</u>
EXPENDITURES:			
Construction	9,300	8,342	958
Routine maintenance	5,300	3,220	2,080
Traffic services	350	1,600	(1,250)
Winter maintenance	1,800	2,471	(671)
Administrative	950	565	385
TOTAL EXPENDITURES	<u>17,700</u>	<u>16,198</u>	<u>1,502</u>
EXCESS OF REVENUE (UNDER) EXPENDITURES	<u>(7,897)</u>	<u>(5,526)</u>	<u>2,371</u>
OTHER FINANCING SOURCES:			
Operating transfers in	6,750	7,737	987
EXCESS OF REVENUE AND OTHER SOURCES (UNDER) OVER EXPENDITURES	<u>(1,147)</u>	<u>2,211</u>	<u>3,358</u>
FUND BALANCE - APRIL 1	78,750	78,750	
FUND BALANCE - MARCH 31	<u>\$ 77,603</u>	<u>\$ 80,961</u>	<u>\$ 3,358</u>

VILLAGE OF AKRON, MICHIGAN

**LOCAL STREET IMPROVEMENT FUND
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2004**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUE:			
Voted bridge tax	\$ 1,500	\$ 2,377	\$ 877
Interest income	<u>197</u>	<u>197</u>	<u> </u>
TOTAL REVENUE	1,697	2,574	877
 FUND BALANCE - APRIL 1	 19,444	 19,444	
 FUND BALANCE - MARCH 31	 <u>\$ 21,141</u>	 <u>\$ 22,018</u>	 <u>\$ 877</u>

VILLAGE OF AKRON, MICHIGAN**FIRE FUND
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2004**

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUE:			
Fire runs and protection	<u>\$ 28,688</u>	<u>\$ 63,331</u>	<u>\$ 34,643</u>
Miscellaneous:			
Miscellaneous income		5,500	5,500
Interest income		<u>561</u>	<u>561</u>
Total Miscellaneous		<u>6,061</u>	<u>6,061</u>
TOTAL REVENUE	<u>28,688</u>	<u>69,392</u>	<u>40,704</u>
EXPENDITURES:			
Firemen's pay	10,500	9,779	721
Employee benefits	800	748	52
Supplies	800	482	318
Professional fees	1,200	1,028	172
Education and training	1,500	1,005	495
Gas and oil	2,600	2,765	(165)
Insurance	4,900	4,617	283
Utilities	1,050	1,097	(47)
Repairs and maintenance	5,500	4,549	951
Miscellaneous	400	302	98
Memberships and dues	150	125	25
Capital outlay	4,231	8,565	(4,334)
Debt service	<u>16,669</u>	<u>16,669</u>	
TOTAL EXPENDITURES	<u>50,300</u>	<u>51,731</u>	<u>(1,431)</u>
EXCESS OF REVENUE (UNDER) OVER EXPENDITURES	<u>(21,612)</u>	<u>17,661</u>	<u>39,273</u>
FUND BALANCE - APRIL 1	<u>21,471</u>	<u>21,471</u>	
FUND BALANCE - MARCH 31	<u>\$ (141)</u>	<u>\$ 39,132</u>	<u>\$ 39,273</u>

VILLAGE OF AKRON, MICHIGAN

POLICE FUND STATEMENT OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL YEAR ENDED MARCH 31, 2004

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUE:			
Protection			
Police protection	\$ 48,484	\$ 48,484	
Fines and fees	5,000	2,704	\$ (2,296)
Total protection	<u>53,484</u>	<u>51,188</u>	<u>(2,296)</u>
Miscellaneous:			
Miscellaneous income		3,118	3,118
Interest earnings		91	91
Total miscellaneous		<u>3,209</u>	<u>3,209</u>
TOTAL REVENUE	<u>53,484</u>	<u>54,397</u>	<u>913</u>
EXPENDITURES:			
Salaries and wages	29,120	29,886	(766)
Employee benefits	4,864	4,884	(20)
Office supplies	1,500	837	663
Uniforms	500	434	66
Administrative fees	1,000	1,038	(38)
Education and training	800		800
Gas and oil	2,200	668	1,532
Professional fees	300	277	23
Insurance	4,000	3,884	116
Utilities	600	1,070	(470)
Police car maintenance	800	418	382
Miscellaneous	100	553	(453)
Capital outlay	2,000	1,790	210
TOTAL EXPENDITURES	<u>47,784</u>	<u>45,739</u>	<u>2,045</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u>5,700</u>	<u>8,658</u>	<u>2,958</u>
FUND BALANCE - APRIL 1	1,793	1,793	
FUND BALANCE - MARCH 31	<u>\$ 7,493</u>	<u>\$ 10,451</u>	<u>\$ 2,958</u>

VILLAGE OF AKRON, MICHIGAN

ENTERPRISE FUNDS
COMBINING BALANCE SHEET
MARCH 31, 2004

	SEWER	WATER	TOTALS	
			MARCH 31, 2004	MARCH 31, 2003
ASSETS				
CURRENT ASSETS:				
Cash	\$ 38,261	\$ 167,407	\$ 205,668	\$ 178,121
Accounts receivable	8,099	10,874	18,973	18,948
Special assessments receivable				284
TOTAL CURRENT ASSETS	<u>46,360</u>	<u>178,281</u>	<u>224,641</u>	<u>197,353</u>
FIXED ASSETS (NET)	1,083,171	177,123	1,260,294	1,221,374
RESTRICTED ASSETS:				
Cash-Capital improvements	61,841		61,841	95,646
TOTAL ASSETS	<u>\$ 1,191,372</u>	<u>\$ 355,404</u>	<u>\$ 1,546,776</u>	<u>\$ 1,514,373</u>

VILLAGE OF AKRON, MICHIGAN

ENTERPRISE FUNDS

COMBINING BALANCE SHEET

MARCH 31, 2004

	TOTALS		
	SEWER	WATER	MARCH 31, 2003
CURRENT LIABILITIES:			
Accounts payable	\$ 2,933	\$ 3,760	\$ 12,339
Current portion of note payable		6,178	
TOTAL CURRENT LIABILITIES	<u>2,933</u>	<u>9,938</u>	<u>12,339</u>
LONG TERM LIABILITIES			
Note payable		68,822	
TOTAL LIABILITIES	<u>2,933</u>	<u>78,760</u>	<u>12,339</u>
FUND EQUITY:			
Retained earnings:			
Reserved for capital improvements	61,841		95,646
Unreserved	206,547	276,644	453,388
Total retained earnings	268,388	276,644	549,034
Contributed capital	920,051	920,051	953,000
TOTAL FUND EQUITY	<u>1,188,439</u>	<u>276,644</u>	<u>1,502,034</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 1,191,372</u>	<u>\$ 355,404</u>	<u>\$ 1,514,373</u>

VILLAGE OF AKRON, MICHIGAN

ENTERPRISE FUNDS COMBINING STATEMENT OF REVENUE, EXPENSES AND CHANGE IN RETAINED EARNINGS YEAR ENDED MARCH 31, 2004

			TOTALS	
			MARCH 31,	
	SEWER	WATER	2004	2003
OPERATING REVENUE:				
Charges for services	\$ 26,150	\$ 29,700	\$ 55,850	\$ 53,967
Property taxes		11,578	11,578	11,030
Service charges	662	1,202	1,864	1,295
TOTAL OPERATING REVENUE	<u>26,812</u>	<u>42,480</u>	<u>69,292</u>	<u>66,292</u>
OPERATING EXPENSES:				
Salaries	6,497	3,828	10,325	11,386
Employee benefits	4,945	3,056	8,001	7,476
Office supplies	373	995	1,368	1,281
Operating supplies	38	595	633	3,141
General fund administrative fee		1,863	1,863	1,758
Contracted services	1,299	10,893	12,192	7,218
Professional fees	1,221	1,110	2,331	2,773
Insurance	250	620	870	2,192
Utilities	2,470	5,861	8,331	8,478
Repairs and maintenance	636	215	851	2,050
Operations board expense	8,975		8,975	8,655
Equipment rental	3,741	3,663	7,404	6,488
Depreciation	38,064	8,214	46,278	45,507
TOTAL OPERATING EXPENSES	<u>68,509</u>	<u>40,913</u>	<u>109,422</u>	<u>108,403</u>
OPERATING (LOSS) INCOME	<u>(41,697)</u>	<u>1,567</u>	<u>(40,130)</u>	<u>(42,111)</u>
NONOPERATING REVENUE (EXPENSES):				
Interest on investments	1,620	1,557	3,177	3,479
Interest on special assessments				46
Interest earnings-Restricted				2,750
Interest expense on bonds				(782)
Paying agents fees				(59)
TOTAL NONOPERATING REVENUE	<u>1,620</u>	<u>1,557</u>	<u>3,177</u>	<u>5,434</u>

VILLAGE OF AKRON, MICHIGAN

ENTERPRISE FUNDS COMBINING STATEMENT OF REVENUE, EXPENSES AND CHANGE IN RETAINED EARNINGS YEAR ENDED MARCH 31, 2004

			TOTALS	
			<u>MARCH 31.</u>	
	<u>SEWER</u>	<u>WATER</u>	<u>2004</u>	<u>2003</u>
NET (LOSS) INCOME	<u>(40,077)</u>	<u>3,124</u>	<u>(36,953)</u>	<u>(36,677)</u>
ADD: Depreciation on fixed assets acquired by federal and state grants externally restricted for capital acquisitions and construction that reduces contributed capital	23,291		23,291	23,291
Depreciation on fixed assets acquired by special assessment funds that reduces contributed capital	9,660		9,660	9,660
INCREASE (DECREASE) IN RETAINED EARNINGS	<u>(7,126)</u>	<u>3,124</u>	<u>(4,002)</u>	<u>(3,726)</u>
RETAINED EARNINGS - APRIL 1	275,514	273,520	549,034	552,760
RETAINED EARNINGS - MARCH 31	<u>\$268,388</u>	<u>\$276,644</u>	<u>\$545,032</u>	<u>\$549,034</u>

VILLAGE OF AKRON, MICHIGAN

ENTERPRISE FUNDS COMBINING STATEMENT OF CASH FLOWS YEAR ENDED MARCH 31, 2004

			TOTALS	
			MARCH 31.	
	SEWER	WATER	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES:				
Operating (loss) income	<u>\$ (41,697)</u>	<u>\$ 1,567</u>	<u>\$ (40,130)</u>	<u>\$ (42,111)</u>
Adjustments to reconcile operating (loss) income to net cash provided by operating activities-				
Depreciation	38,064	8,214	46,278	45,507
Change in assets and liabilities:				
(Increase) Decrease in accounts receivable	2,537	(2,559)	(22)	(2,252)
Decrease in due from other municipalities				9,192
(Decrease) Increase in accounts payable	<u>247</u>	<u>(5,894)</u>	<u>(5,647)</u>	<u>9,084</u>
Total adjustments	40,848	(239)	40,609	61,531
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	<u>(849)</u>	<u>1,328</u>	<u>479</u>	<u>19,420</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Principal paid on sewer construction bonds				(28,020)
Interest paid on sewer construction bonds				(938)
Paying agent fees				(59)
Proceeds from special assessments	284		284	262
Proceeds from note payable		75,000	75,000	
Construction in progress		(85,198)	(85,198)	
Fixed asset additions				(18,280)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>284</u>	<u>(10,198)</u>	<u>(9,914)</u>	<u>(47,035)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest on investments	1,620	1,557	3,177	7,462
NET INCREASE (DECREASE) IN CASH	<u>1,055</u>	<u>(7,313)</u>	<u>(6,258)</u>	<u>(20,153)</u>
CASH AND RESTRICTED CASH - APRIL 1	<u>99,047</u>	<u>174,720</u>	<u>273,767</u>	<u>293,920</u>
CASH AND RESTRICTED CASH - MARCH 31	<u>\$ 100,102</u>	<u>\$ 167,407</u>	<u>\$ 267,509</u>	<u>\$ 273,767</u>
RECONCILIATION OF CASH AND RESTRICTED CASH:				
Cash in bank	\$ 38,261	\$ 167,407	\$ 205,668	\$ 178,121
Restricted cash-Capital improvements	61,841		61,841	95,646
TOTAL CASH AND RESTRICTED CASH	<u>\$ 100,102</u>	<u>\$ 167,407</u>	<u>\$ 267,509</u>	<u>\$ 273,767</u>

VILLAGE OF AKRON, MICHIGAN

**STATEMENT OF GENERAL LONG-TERM DEBT
MARCH 31, 2004**

**AMOUNT TO BE PROVIDED
FOR PAYMENT OF GENERAL LONG-TERM DEBT**

NOTE PAYABLE-FIRE APPARATUS	\$ 46,898
COMPENSATED ABSENCES	<u>1,580</u>
TOTAL GENERAL LONG-TERM DEBT	<u>\$ 48,478</u>

GENERAL LONG-TERM DEBT PAYABLE

NOTE PAYABLE-FIRE APPARATUS	\$ 46,898
COMPENSATED ABSENCES PAYABLE	<u>1,580</u>
TOTAL GENERAL LONG-TERM DEBT PAYABLE	<u>\$ 48,478</u>

VILLAGE OF AKRON, MICHIGAN

MAJOR STREET FUND SCHEDULE OF EXPENDITURES YEAR ENDED MARCH 31, 2004

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
EXPENDITURES:			
Construction:			
Labor	\$ 200	\$ 74	\$ 126
Employee benefits	25	56	(31)
Materials and supplies	200	170	30
Contracted services	8,000	5,966	2,034
Equipment rental	100		100
Total Construction	<u>8,525</u>	<u>6,266</u>	<u>2,259</u>
Routine maintenance:			
Labor	1,000	420	580
Employee benefits	500	320	180
Contracted services	500	227	273
Equipment rental	2,200	1,653	547
Total routine maintenance	<u>4,200</u>	<u>2,620</u>	<u>1,580</u>
Traffic services:			
Labor	100		100
Employee benefits	50		50
Traffic control supplies	200	124	76
Contracted services	100	895	(795)
Equipment rental		23	(23)
Total traffic services	<u>450</u>	<u>1,042</u>	<u>(592)</u>
Winter maintenance:			
Labor	500	710	(210)
Employee benefits	200	540	(340)
Equipment rental	1,000	1,822	(822)
Total winter maintenance	<u>1,700</u>	<u>3,072</u>	<u>(1,372)</u>
Administrative:			
Salaries	600	929	(329)
Employee benefits	50	71	(21)
Professional fees	600	277	323
Total administrative	<u>1,250</u>	<u>1,277</u>	<u>(27)</u>
TOTAL EXPENDITURES	<u>\$ 16,125</u>	<u>\$ 14,277</u>	<u>\$ 1,848</u>

VILLAGE OF AKRON, MICHIGAN

LOCAL STREET FUND SCHEDULE OF EXPENDITURES YEAR ENDED MARCH 31, 2004

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
EXPENDITURES:			
Construction:			
Labor	\$ 200	\$ 84	\$ 116
Employee benefits	50	64	(14)
Materials and supplies	250	59	191
Contracted services	8,300	8,135	165
Equipment rental	500		500
Total construction	<u>9,300</u>	<u>8,342</u>	<u>958</u>
Routine maintenance:			
Labor	1,200	708	492
Employee benefits	500	539	(39)
Materials and supplies	600		600
Contracted Services	500	1,973	(1,473)
Equipment rental	2,500		2,500
Total routine maintenance	<u>5,300</u>	<u>3,220</u>	<u>2,080</u>
Traffic services:			
Labor	100	816	(716)
Employee benefits	50	621	(571)
Traffic control supplies	100	124	(24)
Equipment rental	100	39	61
Total traffic services	<u>350</u>	<u>1,600</u>	<u>(1,250)</u>
Winter maintenance:			
Labor	550	74	476
Employee benefits	250	56	194
Materials and supplies		3	(3)
Equipment rental	1,000	2,338	(1,338)
Total winter maintenance	<u>1,800</u>	<u>2,471</u>	<u>(671)</u>
Administrative:			
Salaries	450	371	79
Employee benefits	50	28	22
Insurance	100		100
Professional fees	350	166	184
Total administrative	<u>950</u>	<u>565</u>	<u>385</u>
TOTAL EXPENDITURES	<u>\$ 17,700</u>	<u>\$ 16,198</u>	<u>\$ 1,502</u>



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CPA's On Your Team

To The Honorable Council Members
Village of Akron
Akron, Michigan

Members of the Council:

The following comments relate to situations brought to our attention during the course of our recent audit of the financial statements of the Village of Akron, Michigan for the year ended March 31, 2004, and are submitted for your evaluation and consideration. We would like to emphasize that our audit was conducted for the purpose of expressing an opinion on the aforementioned financial statements, therefore, the following comments are not necessarily all inclusive.

BUDGET AND BUDGETARY ACCOUNTING

During our audit, we found a few instances where the Village was not in compliance with PA #621 regarding budgeting procedures.

The Act provides that a local unit of government not incur expenditures in excess of the amount budgeted. During the year ended March 31, 2004 the Village incurred expenditures in certain budgetary funds which were in excess of the amounts budgeted as follows:

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<u>GENERAL FUND</u>			
Park department	\$21,400	\$21,466	\$ 66
<u>MAJOR STREET FUND</u>			
Traffic services	450	1,042	592
Winter maintenance	1,700	3,072	1,372
Administrative fees	1,250	1,277	27
Operating transfer out	6,750	7,737	987
<u>LOCAL STREET FUND</u>			
Traffic services	350	1,600	1,250
Winter maintenance	1,800	2,470	670
<u>FIRE FUND</u>	50,300	51,731	1,431

In order to avoid incurring expenditures in excess of the appropriated amounts, the Act requires that the budget be amended when necessary. This would include reducing the budgeted amount if actual revenues are less than the estimated revenues originally budgeted, and increasing the budget to allow expenditures in excess of the original budget if excess amounts are available for transfer within the fund or if additional revenues become available. This can only be done if there are periodic comparisons between budget and actual figures throughout the year. We recommend that monthly comparisons be made between budgeted and year-to-date actual revenue and expenditures. If it appears that there are going to be unfavorable variances between the budgeted and actual year-to-date figures, the budget should be amended to eliminate the variances.

A final requirement of P. A. #621 is that the Village budget be balanced. This means that the total estimated revenues including any available surplus from previous years equal or exceed estimated expenditures. In the Fire Fund, for the year ended March 31, 2004, the Village budgeted estimated expenditures of \$50,300 and estimated revenue of \$28,688. Budgeted expenditures exceeded budgeted revenue by \$21,612. The available fund balance carried over from previous years was only \$21,471. As a result, the budget showed a projected fund deficit of \$(141) as of March 31, 2004.

The budget is one of the most useful management tools available to the local unit of government. It enables the unit to establish financial objectives and then monitor its progress toward those goals during the year. It also helps in recognizing financial problem areas as they are developing. We recommend that the Village establish procedures to make the budget a more integral part of the Village's month-to-month financial operation.

POLICIES AND PROCEDURES

It seems that the policies and procedures need to be looked at and updated and consistently enforced. There seems to be some confusion over what department heads can purchase without prior approval. It appears that some departments have greater authority than other departments in making purchases. Also strict guidelines need to be established regarding internet purchases.

The employee handbook is quite outdated. The council needs to look at updating the handbook and including additional job descriptions for administration, police chief, and fire chief.

A policy should be put into place for reimbursing employees if their personal property is used and a bill is submitted. One option would be to give a flat monthly allowance.

GASB NEW REPORTING MODEL

Governmental Accounting Standards Board Statement 34 establishes new requirements for the annual financial reports of state and local governments. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions (or who may do so in the future): legislators, their staff, and members of oversight bodies; investors, creditors, and others who provide resources to governments; and citizen groups and the public in general.

Some of the features of the new governmental financial statements include the following: government-wide financial statements prepared using the full accrual basis of accounting, the reporting of all capital assets (including infrastructure), reporting of depreciation of capital assets, fund-based financial statements (similar to the current financial statements), classification of major and non-major funds, and a management discussion and analysis report.

One of the most significant changes resulting from the new reporting model involves the reporting of infrastructure assets. These assets include streets, bridges, and sidewalks. The new reporting model will require a substantial amount of planning and information gathering. While there is still time until the requirements of the new reporting model must be implemented, now is the time to begin to prepare for that process.

Governments with total annual revenues below \$10 million have until the fiscal year ending after June 15, 2004 to implement the new reporting model. However, the conversion to the new reporting model needs to take place at the beginning of the fiscal year. Therefore, the effective date of the Village's conversion to the GASB 34 reporting model is April 1, 2004. Our objective is to make you aware of the new requirements so that you may begin the process of becoming familiar with those requirements and plan for the changes in the information reported in your annual financial statements. As your auditors, we will be available to advise you and assist you in the implementation of the new reporting model prescribed by the Government Accounting Standards Board.

The above recommendations are being made in an effort to improve the Village's system of recordkeeping and to aid the Village in conforming to State requirements. If you have any questions regarding these recommendations, please contact us. We are available to assist you with implementing any of the aforementioned recommendations.

We wish to take this opportunity to thank the Village Council, the Clerk, and Treasurer for the cooperation rendered us during the course of our audit.

Nietzke & Faupel P.C.
NIETZKE & FAUPEL, P.C.
Sebewaing, Michigan

July 7, 2004